

Moving to Portland™

August 2009 Newsletter

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Portland Home Market

June 2009 Residential Highlights

This June, same-month pending sales were up for the first time since December 2006 in the Portland metro area, and inventory reached its lowest point since August 2007.

Comparing June 2009 with the same month in 2008, pending sales were up 8.4%, while closed sales decreased 5.4%. New listings also dropped 18.3%. Further, comparing June 2009 with May 2009, closed sales increased 24.5% (1,776 v. 1,427) and pending sales were up 10% (2,164 v. 1,967). New listings also rose 9.7% (4,257 v. 3,879).

Inventory fell to 8.2 months, dropping for the fifth consecutive month and reaching its lowest point since August 2007. Active listings typically rise at this time of year but were virtually unchanged since May (14,491 v. 14,493). Conversely, actives increased 10.1% from May to June in 2007, and 4.2% in 2008.

Sales Prices

The average sale price for June 2009 was down 14% compared to June 2008, while the median sale price also dropped 13.5%. Month-to-month, the average and median sale price were mixed when compared with May levels; the average sale price was up 2.9% (\$299,800 v. \$291,400) and the median sale price was down 0.04% (\$249,900 v. \$250,000).

2nd Quarter Report

Comparing the second quarter of 2009 (April-June) with that of 2008, closed sales fell 15.3% (4,625 v. 5,461) and pending sales dropped 3.2% (5,784 v. 5,972). New listings decreased 23.8% (12,165 v. 15,973)..

12-Month Sales Price Percent Change

The 12-Month Sale Price Percent Change is based on a comparison of the rolling average/median price for the last 12 months (7/1/08-6/30/09) with 12 months before (7/1/07-6/30/08).

- Average Sale Price Percent Change: -9.7% (\$309,600 v. \$342,800)
- Median Sale Price Percent Change: -8.4% (\$262,500 v. \$286,500)

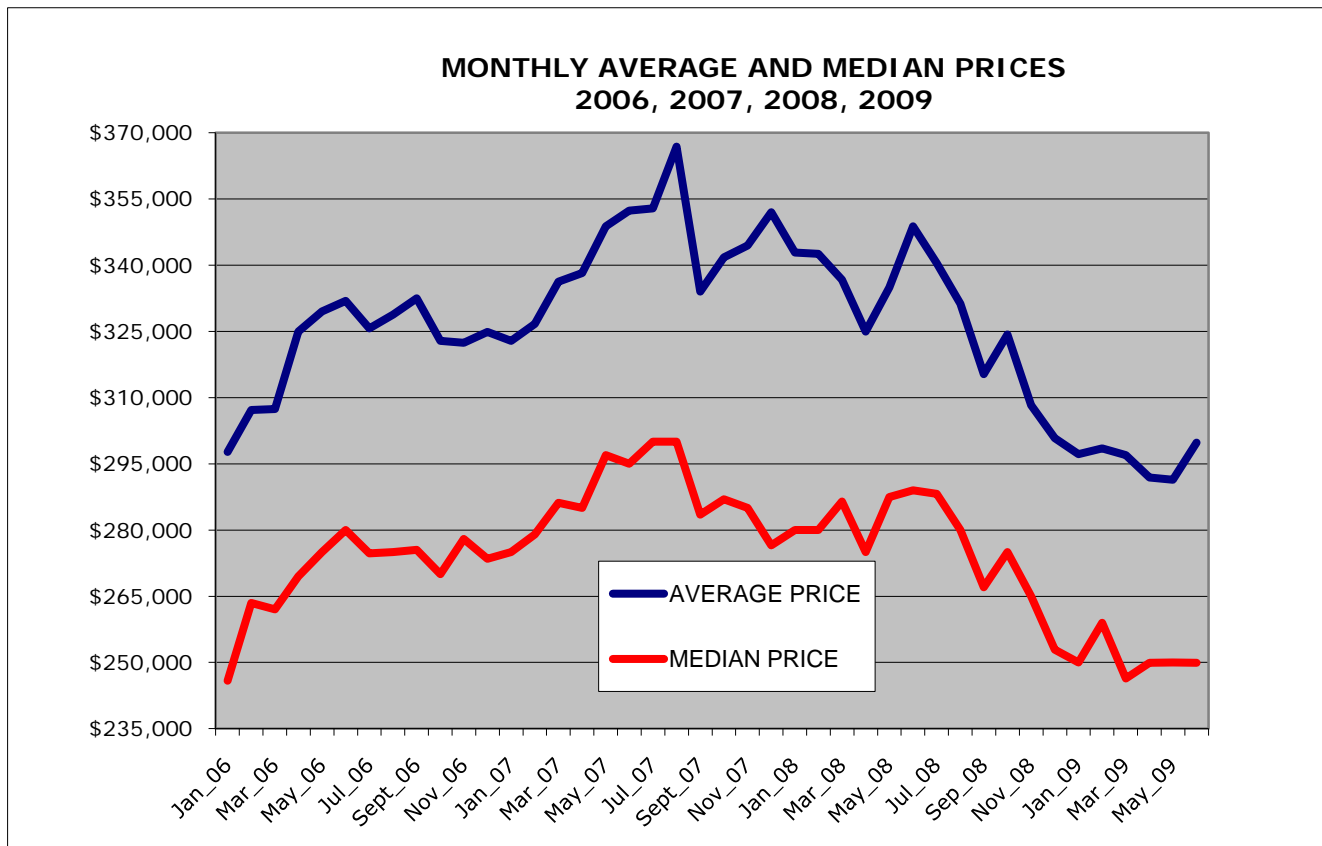
Here are the sales price percent change from their peak prices in 2007:

- Average Sale Price Percent Change from Peak in August 2007: -18% (\$299,800 v. \$366,900)
- Median Sale Price Percent Change from Peak in July/August 2007: -17% (\$249,900 v. \$300,000)

The latest Case-Schiller index reported that homes prices in the Portland metro area have fallen 16.3% from one year ago. Besides the Oregon five metro area counties, Case-Schiller numbers also include home prices from Clark and Skamania Counties in Washington state.

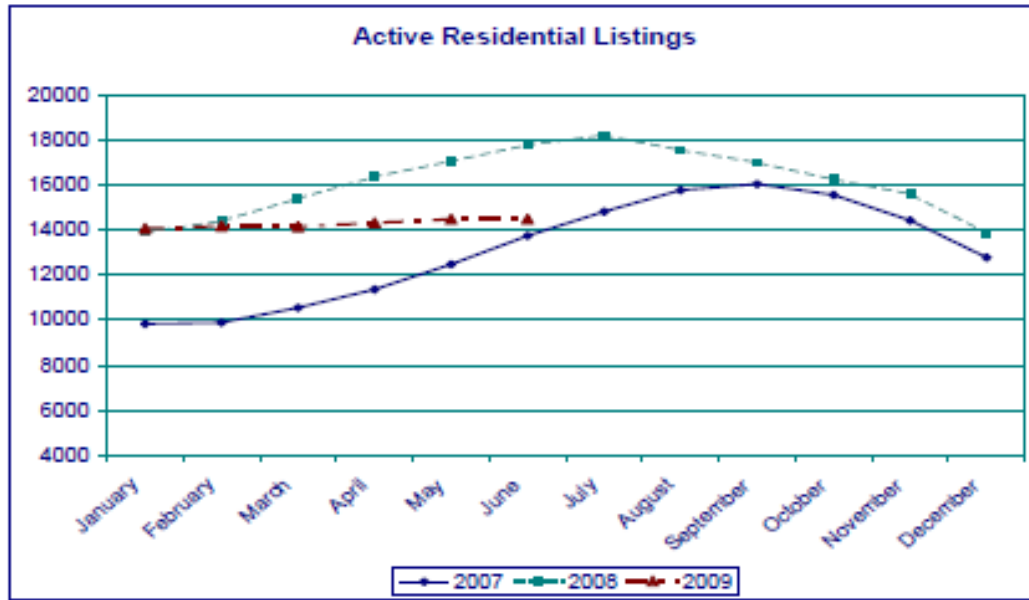
June 2009: A Drop of \$49,000 in the Average Price from June 2008

Below is the MONTHLY AVERAGE AND MEDIAN PRICES: 2006, 2007, 2008, 2009 chart showing the home sales by month. The chart is for the Portland metro area - it does not include homes in southwestern Washington (Vancouver to include Clark County).



Comparing the average home price from June 2009 with June 2008 shows a \$49,000 drop in the Portland region's average home price – down to \$299,800 from \$348,800 a year earlier. The June 2009 average price of \$299,800 is the highest it has been in 2009. The median price decreased \$39,100 for the same periods (\$289,000 v. \$249,900).

Does the slight uptick in June mean that the Portland metro area has seen the bottom of the market and we are now ready for stable prices or is it a fluke? The lowest price in our chart was in January 2006 when the average price was \$297,700. We can cross our fingers and hope for brighter days.



The above graph shows the active residential listings over the past three calendar years in the Portland metro area. The 2007 cycle for Active Residential Listings is quite normal — more homes are available for sale during the spring and summer, and the inventory begins to fall in October. In 2008, the number of homes on the market increased dramatically but that was a result of a greatly reduced number of sales so homes stayed on the market longer.

Note the flatness of 2009. Active listings typically rise at this time of year (i.e., summer) but were virtually unchanged since May (14,491 v. 14,493). The 2009 numbers illustrate the point that homes stay on the market much longer, and sellers didn't rush to put their homes on the market in the spring/summer this year.

Case-Schiller: Slide Continuing to Brake

The long slide in housing prices is continuing to brake, figures released Tuesday indicate. For the fourth consecutive month, there was modest improvement in home prices in May, according to [Standard & Poor's Case-Shiller](#) index.

The index of 20 metropolitan areas had an annual decline of 17.1 percent in May from the same month in 2008, an improvement over April's 18.1 percent fall. Prices improved in 13 of the 20 cities in the survey, with Cleveland reporting the largest increase, 4.1 percent, followed by Dallas with 1.9 percent and Boston 1.6 percent. Several other cities — Chicago, Denver, Minneapolis, San Francisco and Washington — reported increases of more than 1 percent. Portland reported a slight increase of 0.1 percent.

Five cities reported a drop in prices, led by Las Vegas with 2.6 percent. Other cities reporting a drop include Los Angeles, Miami, Phoenix, and Seattle.

The 10-city index also noted an improvement in prices, with a 16.8 decline in May compared with the month a year ago, after a 18 percent drop in April.

Before bottoming in January, the Case-Shiller index showed 16 consecutive months of record annual declines. From its peak three years ago, the index is down about a third, pushing prices in major cities back to where they were in 2003.

A housing market where prices are merely flat nevertheless appears a long way off. Many analysts think the most hopeful scenario is that prices start to rise modestly late next year.

Cost of Residential¹ Homes by Area/Community for June 2009

Area	June 2009 Closed Sales	June 2009 Average Sales Price	Year-to-Date For Period Ending June 2009		12-Month Average Sales Price Change ²
			Average Sales Price	Median Sale Price	
Portland Metro Area					
Includes these counties in Oregon: Clackamas, Columbia, Multnomah, Washington, & Yamhill	1,776	\$299,800	\$295,100	\$250,000	-9.7%
Portland					
North	93	\$237,000	\$233,900	\$230,000	-8.1%
Northeast	181	299,800	295,900	258,500	-7.3%
Southeast	240	261,300	246,400	219,900	-8.5%
West (Includes SW and NW Portland and parts of eastern Washington County)	202	421,200	433,700	355,000	-5.4%
Portland Metro Suburban Areas					
Corbett, Gresham, Sandy, Troutdale	124	\$215,400	\$225,400	\$214,800	-13.1%
Clackamas, Milwaukie, Gladstone, Sunnyside	143	280,100	290,100	260,000	-8.5%
Canby, Beavercreek, Molalla, Mulino, Oregon City	68	313,700	291,100	249,000	-12.0%
Lake Oswego and West Linn	93	470,000	468,700	390,000	-13.0%
Northwest Washington County & Sauvie Island	81	376,200	373,800	344,000	-5.8%
Beaverton and Aloha	178	240,100	246,900	229,300	-8.6%
Tigard, Tualatin, Sherwood, Wilsonville	134	355,500	326,000	295,000	-8.8%
Hillsboro and Forest Grove	105	250,900	251,300	230,000	-10.5%
Mt. Hood: Brightwood, Government Camp, Rhododendron, Welches, Wemme, ZigZag	6	213,800	269,200	246,000	-2.2%
Counties Outside the Metro Area					
Columbia County	44	212,600	192,500	184,900	-13.9%
Yamhill County	84	223,400	232,800	213,000	-12.2%
Marion and Polk Counties	77	198,100	215,500	196,500	-12.5%
North Coastal Counties	63	364,100	299,800	245,000	-17.5%
Southwest Washington State					
Clark County (Battleground, Camas, Ridgefield, Vancouver, Woodland, etc.)	353	\$244,300	\$242,400	\$215,000	-13.2%

¹ Residential includes detached single-family homes, condos, townhomes, manufactured homes, and multi-family (e.g., duplexes, triplexes, etc.) homes when one of the units is sold.

² The 12-month sales price change percents are based on a comparison of the rolling average price for the last 12 months (7/1/08-6/30/09) with 12 months before (7/1/07-6/30/08).

Source: Regional Market Listing Service (RMLS™)

Mortgages

Primary Mortgage Market Survey: 30-Year Fixed at 5.20%

Freddie Mac released its Primary Mortgage Market Survey (PMMSSM) on July 23 in which the 30-year fixed-rate mortgage (FRM) was 5.20 percent with an average 0.7 point for the week ending July 23, 2009, up from last week when it averaged 5.14 percent. Last year at this time, the 30-year FRM averaged 6.63 percent.

The 15-year FRM this week averaged 4.68 percent with an average 0.7 point, up from last week when it averaged 4.63 percent. A year ago at this time, the 15-year FRM averaged 6.18 percent.

Five-year Treasury-indexed hybrid adjustable-rate mortgages (ARMs) averaged 4.74 percent this week, with an average 0.7 point, down from last week when it averaged 4.83 percent. A year ago, the 5-year ARM averaged 5.49 percent.

One-year Treasury-indexed ARMs averaged 4.77 percent this week with an average 0.6 point, up slightly from last week when it averaged 4.76 percent. At this time last year, the 1-year ARM averaged 5.49 percent.

(Average commitment rates should be reported along with average fees and points to reflect the total cost of obtaining the mortgage.)

"Mortgage interest rates were mixed this past week with fixed-rate loans averaging somewhat higher while initial rates on ARMs were flat-to-down slightly," said Frank Nothaft, Freddie Mac vice president and chief economist. "Federal Reserve Chairman Bernanke, during his July 22 Senate testimony, noted that mortgage rates are lower than they were last fall, in part because of the Federal Reserve's actions, and housing affordability right now is the highest it has been in many years.

Newly released housing indicators contain positive signs that the worst may be behind us. Home prices were down 5.6 percent between May 2008 and May 2009, the smallest 12-month decline since June 2008, based on the Federal Housing Finance Agency's monthly House Price Index.

Portland Area Mortgage Rates



To check on Portland metro area mortgage rates visit Professor Guttenberg's Web site at www.mtgprofessor.com – click on "Fixed-Markup Lender." Taking the average home price in Portland of \$299,800 for June, 2009 and with 20 percent down payment (\$59,960) and a mortgage of \$239,840, the payment for a 30-year fixed loan is \$1,215.23 per month (excluding property taxes and insurance) in Portland, Oregon. The interest rate is 4.500%, and the APR is 4.874%. Total closing costs are \$12,158 - \$4,907.13 of that amount are discount points and guaranteed lender fees are \$10,193. This fee covers everything and the lender fees are guaranteed not to change from the time they lock your rate (30 days) to closing. Escrow fees are not waived. FICO credit score 750 (excellent).

According to the professor: "In using an on-line lender monitored by the mortgage professor, a borrower enjoys competitive wholesale prices, which are disclosed and passed through by the on-line lender; and a standardized and reasonable markup over the wholesale price, which is guaranteed by the professor. This eliminates all potential sources of abuse."

*My advice, "Find a home you can enjoy and afford.
By all means, get a fixed-rate mortgage."*

Susan Marthens

Portland Weather

July 2009 Weather

Water Year (October 1 - September 30)	Average Precipitation In Inches	Actual Precipitation in Inches	Water Year
Year-to-Date	33.77	24.98	Portland's rainfall is measured according to the "water year" which is from October 1 through the end of September. Precipitation is measured from the NOAA Weather Station near the Portland International Airport.
October	2.88	1.77	
November	5.61	4.15	
December	5.71	2.70	
January	5.07	4.50	
February	4.18	1.36	
March	3.71	3.71	
April	2.64	2.31	
May	2.38	3.26	
June	1.59	1.32	
July	0.70	.34	
August	0.89		
September	1.65		
Year Average	37.07		

Since the August 2009 newsletter is being released prior to the end of the month, the July weather summary is not available. We can tell you the weather in July has been very warm and the last week in July temperatures are soaring.

By 6 p.m. on Monday, July 27th, the high was 103 degrees at Portland International Airport, breaking the record of 102 set in 1958. Tuesday's high was 106 degrees, and a record 107 is predicted on Wednesday. Three days in a row breaking all the records. The heat is expected to dip to just below 100 by Thursday and then stay in the high 80s through the first weekend in August.

New Rules Will Lengthen Loan Process

A new set of consumer-protection rules will lengthen the loan process because lenders need to provide consumers with a variety of disclosures as they move through the approval, appraisal and funding.

Among the new rules are requirements for lenders to provide consumers with initial disclosures of the estimated mortgage costs within three business days of the loan application; prohibitions against collecting fees prior to the consumer receiving the loan-cost disclosures; and prohibiting quickie closings on loans.

Traditionally, many mortgage brokers and lenders collected fees covering appraisal, credit, and other charges at the time of application. The new rules eliminate this practice and prohibit lenders from collecting any fees until the consumer has received the truth-in-lending disclosures and an annual percentage rate (APR) calculation of the loan costs.

The new rules also require lenders to deliver a copy of the real estate appraisal to the home buyer three business days before the scheduled closing on the loan. Previously, federal regulations guaranteed that consumers could request and obtain a copy of the appraisal, but many home buyers were not aware of this right.

Additionally, the rules prohibit quickie closings on loans by requiring a seven-day waiting period after applicants are handed their early disclosures or the disclosures are mailed. This provides applicants a week to think about the transaction and to decide whether it is right for them. Final truth-in-lending disclosures are due three business days before closing.

Another significant change under the new rules: If the APR on the early truth-in-lending disclosure increases by more than one-eighth of a percentage point (0.125), the lender will now be required to "redisclose" — provide you a corrected version and allow you an additional seven business days to consider the transaction before settlement.

Bottom Line

Clients don't have to pay any fees until they have more precise information from the bank. I also like the automatic delivery of the appraisal.

To accommodate the new rules, the mortgage folks I usually work with are recommending a 30-day loan contingency and 45-day close. After we've all adapted to the new system, we may be able to revert back to shorter timelines.

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